

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sheridan Township	County Clare
Fiscal Year End 3-31-08	Opinion Date 6-19-08	Date Audit Report Submitted to State 6-22-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Letter to the Board (SAS 114)	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-386-3481	
Street Address 601 Beech Street		City Clare	State MI
Authorizing CPA Signature <i>Shannon Wilson CPA</i>		Printed Name Shannon Wilson	Zip 48617
		License Number 688802	

SHERIDAN TOWNSHIP
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2008

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WEINLANDER FITZHUGH

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Independent Auditors' Report

June 19, 2008

Township Board
Sheridan Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan Township as of and for the year ended March 31, 2008, which collectively comprise the Sheridan Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheridan Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan Township as of March 31, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Township Board
Sheridan Township
June 19, 2008

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

Our discussion and analysis of the Sheridan Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008.

Financial Highlights

The Township's net assets increased by \$42,042 or 6%. Program revenues were \$70,754 or 34% of total revenues and general revenues were \$132,958 or 66%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Sheridan Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2008 and 2007:

Exhibit A	Governmental Activities	
	2008	2007
<hr/>		
Assets		
Current and other assets	\$ 614,315	\$ 583,745
Capital assets - Net of accumulated depreciation	126,699	128,413
	<hr/>	<hr/>
Total assets	741,014	712,158
	<hr/>	<hr/>
Liabilities		
Current liabilities	1,705	14,891
	<hr/>	<hr/>
Net Assets		
Invested in property and equipment	126,699	128,413
Restricted	48,560	44,494
Unrestricted	564,050	524,360
	<hr/>	<hr/>
Total net assets	\$ 739,309	\$ 697,267
	<hr/>	<hr/>

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

This analysis focuses on net assets. The Township's net assets were \$739,309 at March 31, 2008. Capital assets totaling \$126,699 compares the original costs, less depreciation of the Township's capital assets.

The \$564,050 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities, summarized in Exhibit B below, which shows the changes in net assets for the years ended March 31, 2008 and 2007.

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

Exhibit B	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 70,754	\$ 62,835
General revenue:		
Property taxes	5,573	5,751
State revenue sharing	109,254	111,495
Other	<u>18,131</u>	<u>14,458</u>
Total revenue	<u>\$ 203,712</u>	<u>194,539</u>
Function/Program Expenses		
General government	62,870	61,316
Public safety	33,428	30,645
Public works	54,752	57,362
Highways and streets	10,620	9,820
Recreation and culture	<u>0</u>	<u>4,896</u>
Total expenses	<u>161,670</u>	<u>164,039</u>
Change in Net Assets	<u><u>\$ 42,042</u></u>	<u><u>\$ 30,500</u></u>

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$161,670. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$5,573 in taxes, \$109,254 in State shared revenues and with our other revenues, such as interest and miscellaneous revenues.

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

The Township experienced an increase in net assets of \$42,042. Key reasons for the change in net assets were an increase in taxable values within the Township and interest income. In addition, the Township collected more in rubbish than the actual costs during the year. These increases will be used for future rubbish removal costs, road projects and other Township improvements and services. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

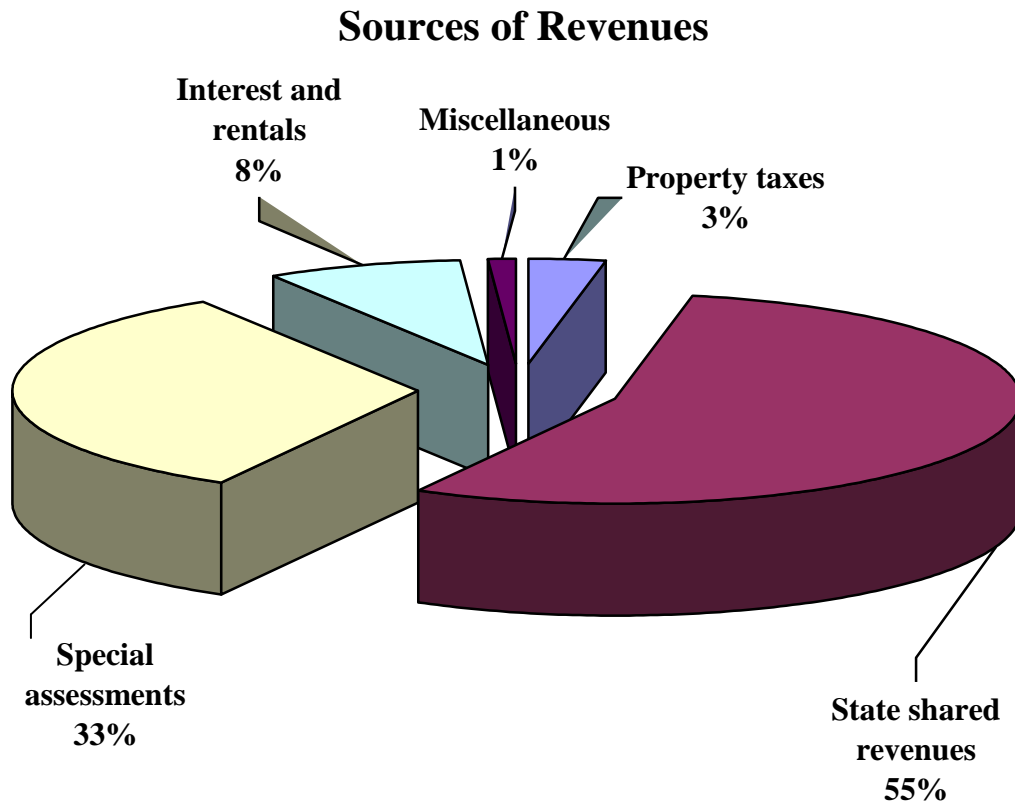
The Township's governmental funds reported a fund balance of \$612,610, which is above last year's total of \$568,854. The schedule below indicates the fund balance and the total change in fund balances as of March 31, 2008 and 2007.

	<u>Fund Balance</u> <u>March 31, 2008</u>	<u>Fund Balance</u> <u>March 31, 2007</u>	<u>Change</u>
General	<u>\$ 612,610</u>	<u>\$ 568,854</u>	<u>\$ 43,756</u>

- Our General Fund increased \$43,756. Key reasons for the change in net assets was an increase in taxable values within the Township. The Township also had an increase in interest income. In addition, the Township collected more in rubbish than the actual costs during the year. These increases will be used for future rubbish removal costs, road projects and other Township improvements and services.

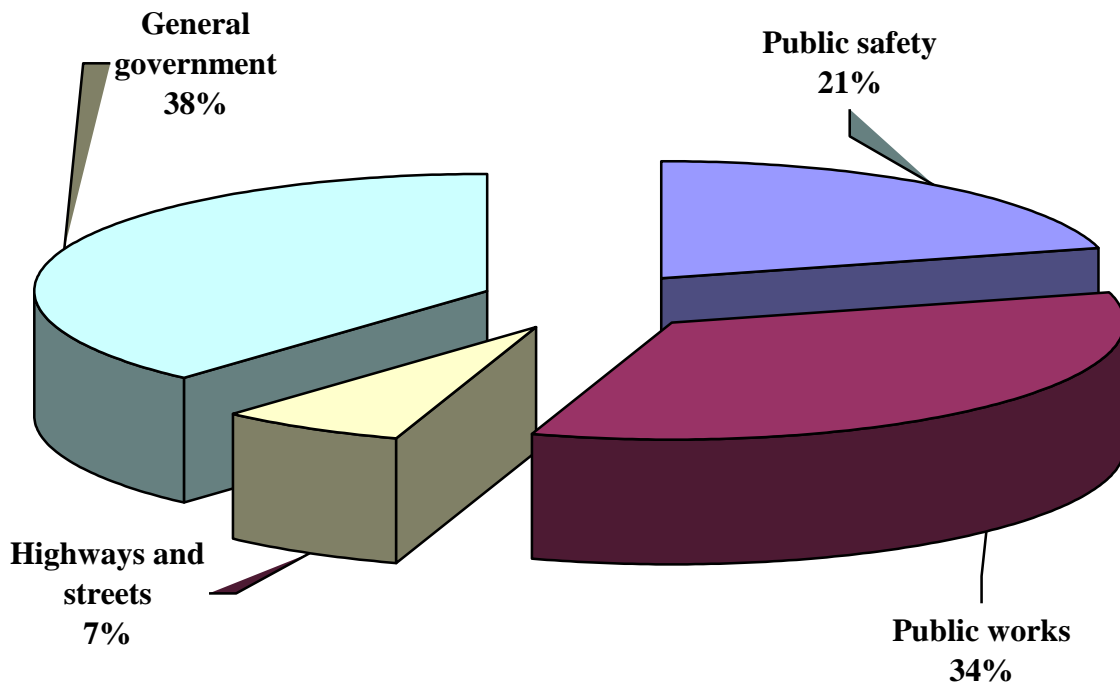
SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

As the graph below illustrates, the largest portion of the Township's revenue comes from state revenue sharing.



SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

The graph below illustrates, 21% of the Townships' resources are spent on public safety, which includes fire protection. Another 34% is spent on public works on services such as rubbish removal, while 38% is spent for general government expenses such as administrative costs and hall and grounds, including utilities. The remaining 7% is spent on highways and streets.



SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

The chart below compares current year expenditures with prior year.

	<u>2008</u>	<u>2007</u>
<i>Expenditures by Function</i>		
General government	\$ 61,156	\$ 57,813
Public safety	33,428	30,645
Public works	54,752	57,362
Highways and streets	10,620	9,820
Recreation and culture	<u>0</u>	<u>4,896</u>
 Total	 <u><u>\$ 159,956</u></u>	 <u><u>\$ 160,536</u></u>

Expenditures for 2008 were consistent with 2007 expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. The differences between the budget and the final actual amounts are as follows:

- The Township currently does not adopt a revenue budget.
- Budgeted expenditures were increased to reflect additional spending for general government activities.
- Actual expenditures were under the budgeted expenditures by \$10,633. The difference is due to less being paid for rubbish removal services. There were also less expenses in the general government due to fewer expenses in most functions than originally expected.

SHERIDAN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended March 31, 2008

Capital Assets

At March 31, 2008, the Township had \$126,699 invested in a broad range of capital assets, including building improvements, machinery and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$1,714, or 1%, from last year.

	2008	2007
Buildings and improvements	\$ 135,672	\$ 135,672
Machinery and equipment	9,906	7,987
Total capital assets	145,578	143,659
Less accumulated depreciation	18,879	15,246
Net capital assets	<u>\$ 126,699</u>	<u>\$ 128,413</u>

This year's additions of \$3,365 included a new computer for the Assessor and a copy machine. No debt was issued for these additions.

We do not anticipate any major capital additions in the current year. We present more detailed information about our capital assets in the notes to the financial statements.

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Sheridan Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sheridan Township
8110 Washington
Clare, MI 48617

SHERIDAN TOWNSHIP
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 603,217
Due from other funds	1,000
Due from other governmental units	9,351
Special assessments receivable	747
Capital assets net of accumulated depreciation of \$18,879	<u>126,699</u>
Total Assets	<u>741,014</u>
<u>Liabilities</u>	
Accounts payable	695
Payroll liabilities	263
Deferred revenue	<u>747</u>
Total liabilities	<u>1,705</u>
<u>Net Assets</u>	
Investment in capital assets	126,699
Restricted for rubbish removal	48,560
Unrestricted	<u>564,050</u>
Total Net Assets	<u><u>\$ 739,309</u></u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
Primary Government -			Net (Expense)
Governmental activities:		Charges for	Revenue and
Operating:		Services	Changes in
General government	\$ 62,870	\$ 812	\$ (62,058)
Public safety	33,428	0	(33,428)
Public works	54,752	58,778	4,026
Highways and streets	10,620	11,164	544
	<u>\$ 161,670</u>	<u>\$ 70,754</u>	<u>(90,916)</u>
Total governmental activities			
		General revenues:	
		State shared revenues	109,254
		Property taxes	5,573
		Interest	16,880
		Miscellaneous	1,251
			<u>132,958</u>
		Total general revenues	132,958
		Change in net assets	42,042
		Net assets - beginning of year	697,267
		Net assets - end of year	<u>\$ 739,309</u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Governmental Fund
Balance Sheet
March 31, 2008

ASSETS

	General Fund
Cash and cash equivalents	\$ 603,217
Due from other funds	1,000
Due from other governmental units	9,351
Special assessments receivable	<u>747</u>
Total Assets	<u><u>\$ 614,315</u></u>

LIABILITIES AND FUND BALANCE

<u>Liabilities</u>	
Accounts payable	\$ 695
Payroll liabilities	263
Deferred revenue	<u>747</u>
Total liabilities	<u>1,705</u>
 <u>Fund Balance</u>	
Reserved for rubbish removal	48,560
Unreserved and undesignated	<u>564,050</u>
Total fund balance	<u>612,610</u>
Total Liabilities and Fund Balance	<u><u>\$ 614,315</u></u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Reconciliation of Balance Sheet of Governmental Fund
to the Statement of Net Assets
March 31, 2008

Total fund balance - governmental fund	\$ 612,610
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	145,578
Accumulated depreciation	(18,879)
	<hr/>
Total net assets - governmental activities	<u><u>\$ 739,309</u></u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Governmental Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended March 31, 2008

	General Fund
<u>Revenues</u>	
State shared revenues	\$ 112,383
Special assessments	66,813
Interest	16,880
Property taxes	5,573
Miscellaneous	2,063
Total revenues	<u>203,712</u>
<u>Expenditures</u>	
Current:	
General government	61,156
Public safety	33,428
Public works	54,752
Highways and streets	10,620
Total expenditures	<u>159,956</u>
Excess of revenues over expenditures	43,756
Fund balance - beginning of year	<u>568,854</u>
Fund balance - end of year	<u><u>\$ 612,610</u></u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balance - total governmental fund	\$ 43,756
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(5,079)
Capital outlay	3,365
	<hr/>
Change in net assets of governmental activities	<u><u>\$ 42,042</u></u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP
Statement of Fiduciary Net Assets
March 31, 2008

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	<u>\$ 1,195</u>
Total assets	<u><u>\$ 1,195</u></u>
 <u>Liabilities</u>	
Due to other governmental units	\$ 195
Due to other funds	<u> 1,000</u>
Total liabilities	<u><u>\$ 1,195</u></u>

See accompanying notes to financial statements

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sheridan Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Sheridan Township:

Reporting Entity

Sheridan Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include building improvements, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the June 19, 2008 of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	10 to 20 Years
Vehicles	10 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the June 19, 2008 of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Sheridan Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Sheridan Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 2 – BUDGETS (CONTINUED)

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Highways and streets	\$ 10,000	\$ 10,620	\$ (620)

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the June 19, 2008 of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Government's deposits were reported in the basic financial statements in the following categories:

	<u>G overnmental A ctivities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 603,217	\$ 1,195	\$ 604,412

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$249,723 of the Township's bank balance of \$604,723 was exposed to custodial credit risk.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Township has no investments as of March 31, 2008

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Governmental Activities				
Capital assets being depreciated:				
Building improvements	\$ 135,672	\$ 0	\$ 0	\$ 135,672
Machinery and equipment	7,987	3,365	1,446	9,906
Subtotal	143,659	3,365	1,446	145,578
Less accumulated depreciation for:				
Building improvements	10,624	187	0	10,811
Machinery and equipment	4,622	4,892	1,446	8,068
Subtotal	15,246	5,079	1,446	18,879
Governmental Activities, Total				
Capital assets - net of depreciation	<u>\$ 128,413</u>	<u>\$ (1,714)</u>	<u>\$ 0</u>	<u>\$ 126,699</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	<u>\$ 5,079</u>

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at March 31, 2008 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 1,000	\$ 0
Tax Fund	<u>0</u>	<u>1,000</u>
	<u>\$ 1,000</u>	<u>\$ 1,000</u>

These inter-fund receivable and payable balances resulted from the time lag between the June 19, 2008s that tax payments between funds are made.

There were no inter-fund transfers during the fiscal year.

NOTE 6 – RISK MANAGEMENT

Sheridan Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Sheridan Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Sheridan Township.

SHERIDAN TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 6– RISK MANAGEMENT (CONTINUED)

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

SHERIDAN TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
State shared revenues	\$ 0	\$ 0	\$ 112,383	\$ 112,383
Special assessments	0	0	66,813	66,813
Interest	0	0	16,880	16,880
Property taxes	0	0	5,573	5,573
Miscellaneous	0	0	2,063	2,063
Total revenues	<u>0</u>	<u>0</u>	<u>203,712</u>	<u>203,712</u>
<u>Expenditures</u>				
Current:				
General government	61,700	66,200	61,156	5,044
Public safety	33,478	33,478	33,428	50
Public works	60,911	60,911	54,752	6,159
Highways and streets	10,000	10,000	10,620	(620)
Total expenses	<u>166,089</u>	<u>170,589</u>	<u>159,956</u>	<u>10,633</u>
Excess (deficiency) of revenues over expenditures	(166,089)	(170,589)	43,756	193,079
Fund balance-beginning of year	<u>568,854</u>	<u>568,854</u>	<u>568,854</u>	<u>0</u>
Fund balance-end of year	<u>\$ 402,765</u>	<u>\$ 398,265</u>	<u>\$ 612,610</u>	<u>\$ 193,079</u>

See accompanying notes to financial statements.



WEINLANDER FITZHUGH

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June 19, 2008

Township Board
Sheridan Township
Clare County, Michigan

In planning and performing our audit of the financial statements of Sheridan Township (Township) as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards. We considered Sheridan Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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Township Board
Sheridan Township
June 19, 2008
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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Revenue Budget

Public Act 21, of 1968, as amended, through Public Act 493 of 2000 mandates that general appropriations act (budget) adopted by the local government unit must include estimated revenues by source in each fund. The Township should also state the total mills to be levied and the purpose for each millage levied (truth in budgeting act).

It was noted that the Township only included estimated expenditures within the Township budget. We recommend that the Township review the Uniform Budget Manual issued by the Michigan Department of Treasury and amend the current budget to reflect these requirements.

Financial Reporting

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Sheridan Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor intervention.



WEINLANDER FITZHUGH

Township Board
Sheridan Township
June 19, 2008
Page 3

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



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June 19, 2008

Township Board
Sheridan Township
Clare County, Michigan

In connection with our audit of the financial statements of Sheridan Township (Township) as of and for the year ended March 31, 2008, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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Township Board
Sheridan Township
June 19, 2008
Page 2

We have separately communicated, to you and the Township Board, identified deficiencies that we determined to be significant deficiencies or material weaknesses. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Segregation of Duties

This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance .

As is common in many small local government units, there is often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area.

The Township has a lack of complete separation of duties with respect to cash collections. The collection of cash, writing of receipts and depositing of collections is centralized around the Treasurer.

The Township has implemented compensating controls for property tax revenue through the county settlement process and state revenue sharing through the Michigan Department of Treasury, the remaining revenues collected generally have insufficient checks and balances in place.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

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June 19, 2008

Township Board
Sheridan Township
Clare County, Michigan

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Sheridan Township for the year ended March 31, 2008, and have issued our report thereon dated June 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on April 16, 2008.

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Township Board
Sheridan Township
June 19, 2008
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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sheridan Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during they year ended March 31, 2008 We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive accounting estimates affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements



WEINLANDER FITZHUGH

Township Board
Sheridan Township
June 19, 2008
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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board, management and others within Sheridan Township and is not intended to be and should not be used by anyone other than these specified parties.